DRAFT

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TO: Bob Ambach

FROM: Karl Scheer

RE: Cintrifuse Fund I (the CBC-sponsored strategic venture capital fund of funds)

History

The Cintrifuse project was conceived in early 2011 by the Cincinnati Business Committee ("CBC"), a non-profit sponsored by Cincinnati-area businesses and leading local non-profit institutions that seeks to improve the Greater Cincinnati region's economy. CBC created a Regional Innovation Task Force (the "CBC Task Force") to accelerate the development of the region's "innovation economy". The Task Force analyzed the local economy and leveraged the work of the *Agenda 360/Vision 2015 Regional Indicators Project* to identify weak spots in the local economy and ways of addressing these weak spots. The CBC Task Force identified the Cincinnati region's access to venture capital as a particular weakness in the local economy.[1] The CBC Task Force then engaged McKinsey & Co to gather data and issue a report on developing the region's innovation economy. McKinsey's report corroborated the findings of *Agenda 360/Vision 2015 Regional Indicators Project* and further enumerated 3 Gaps in the regional economy and 3 observations on ways the University of Cincinnati can contribute to driving development of the local regional economy (please refer to *Appendix III: Key McKinsey Report Observations*).

Inspired by these reports, the CBC Task Force formed the Cintrifuse project and CBC Task Force leader, Tom Williams, presented initial thoughts on the project to UC's Board of Trustees on December 15, 2011 to a positive response.

Cintrifuse

Cintrifuse is a non-profit project whose goal is catalyzing development of the Greater Cincinnati region's innovation economy; that is, to:

- Drive improvement of the local entrepreneurial climate;
- Provide entrepreneurs with tools and mentoring to start, fund, and drive success in local start-ups; and
- Spur job creation.

Cintrifuse is comprised of two parts, the Cintrifuse Hub (the "Hub") and Cintrifuse Fund I (the "Fund"). The Hub is a physical space being created in the Over-the-Rhine neighborhood in a building owned by 3CDC to provide a gathering place for innovators, entrepreneurs, and investors; start-up office space; mentoring; and other assistance to early stage Greater Cincinnati companies. The Hub's CEO will be P&G Vice President of Global Business Development, Jeff Weedman, who is on loan from P&G for two years to lead the Cintrifuse project. As it is currently conceived, the as-yet unidentified Fund Manager will report to Mr. Weedman.

Cintrifuse Fund I is a venture capital fund of funds being formed with sponsorship and initial funding from P&G (anticipated commitment: $25 million), Children's Hospital (anticipated commitment: $5 million to $10 million), Duke Energy (anticipated commitment: $5 million), Western & Southern (anticipated commitment: $5 million), and Macy's (anticipated commitment: $5 million). The Fund's stated goals follow:

- Generate attractive risk-adjusted investment returns

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[1] Cincinnati ranked ninth in the amount of venture capital invested in local startup firms, with an average of $115 million invested from 2007 to 2009. The 12-city average was $559 million. Please refer to *Appendix I: Agenda 360/Vision 2015 Regional Indicators Project* for more information.

- By investing in venture capital funds at least 80% of which have a “Regional Cincinnati Plan”
    - “Regional Cincinnati Plan” is deliberately vaguely-defined so as to provide candidate venture capital funds with an opportunity to define their own Regional Cincinnati Plan. Example components of a Regional Cincinnati Plan include:
        - Being based in, or having an office in, Greater Cincinnati
        - Having an active presence at, or providing advice and consultation to resident companies at, the Cintrifuse Hub
        - Proactively seeking to locate appropriate portfolio companies in the Greater Cincinnati region
- Make capital available, via underlying funds, to early stage companies that represent promising investment opportunities in the Greater Cincinnati region

<u>Structure</u>. Cintrifuse will be managed by a Fund Manager, an individual whose responsibilities will include sourcing, vetting, researching, and presenting investment opportunities to an Investment Committee, which will have discretionary authority to make commitments to venture capital funds. Neither the Portfolio Manager nor the Investment Committee members have been identified, but the profiles of candidates have been established. The Portfolio Manager is expected to be an experienced investor in venture capital funds. The Investment Committee is expected to be comprised of successful local entrepreneurs and business managers who are likely late in their careers or retired such that they can spend a significant portion or majority of their time and effort on their roles as Cintrifuse Fund I Investment Committee members. For more information, please refer to *Appendix I: Cintrifuse Fund I Structure*.

<u>Fund Life Cycle</u>. Venture capital funds and venture capital funds of funds are so-called “drawdown funds” that have some unusual defining characteristics:

- Venture capital funds of funds (“VC FoFs”) are formed to make capital commitments to, and invest capital in, venture capital (“VC”) funds. Venture capital funds invest capital in seed, start-up, and growth stage entrepreneurial companies.
- Life Cycle:
    - The first stage of a drawdown fund’s life is the “commitment period” in which a VCFoF manager or VC fund manager collects capital commitments from prospective investors. A capital commitment is a pledge to send to the fund manager in aggregate a pre-specified dollar amount in pieces, the sizes and timing of which are determined by the fund manager. The fund manager notifies investors of the timing of these capital drawdowns via so-called “capital calls” that give investors approximately two weeks’ advanced notice of the deadline to deliver capital. The first stage ends when sufficient capital commitments have been collected and the fund holds its first “closing” on capital commitments
    - The second stage of a drawdown fund’s life begins at the fund’s first closing when the fund is launched and can begin drawing down capital from investors and making commitments to VC funds (in the case of a VCFoF) or investing in companies (in the case of a VC fund). The fund manager can hold subsequent closings to add to the fund’s aggregate commitments for approximately one year after the first closing. The second stage of a fund’s life typically lasts three to five years.
    - The third stage of a drawdown fund’s life is the harvest period that begins after the fund has committed all of its available capital to venture capital funds and ceases making new commitments. Typically the harvest period lasts for approximately five to ten years, during which venture capital funds harvest their investments by selling companies or taking them public via IPOs. As venture capital funds harvest their investments and receive cash, they distribute this cash to their investors, including venture capital fund of funds, which in turn distribute cash to their investors.
- Drawdown funds typically only draw-down approximately one-quarter to one-fifth of each investor’s commitment in each of its first four years of the fund’s life.

UC’s Role in the Cintrifuse Project

UC has contributed meaningfully to the creation of Cintrifuse and formation of the Fund:

- University of Cincinnati President, Gregory Williams, helped conceive the project in his role on the CBC.
- UC expects to create an innovation accelerator that will be connected with the Cintrifuse Hub to drive commercialization of technologies and other intellectual property (“IP”) created at the University of Cincinnati.
- UC has launched a global revision of its IP commercialization process with the goal of facilitating and encouraging researchers to create companies around IP developed at UC.

- This is one of the key findings of the McKinsey report and could represent UC's greatest contribution to the Cintrifuse project and to development of an innovation economy in the Greater Cincinnati region.

- UC CIO, Karl Scheer, has worked with Mr. Weedman, the Fund's attorneys, and other initial Cintrifuse sponsors to craft the corporate structure and legal structure of the Fund with three goals:
    - Protect the initial sponsors;
    - Maximize the probability that the Fund will generate satisfying economic performance; and
    - Make the Fund as attractive as possible for prospective investors.
- It is anticipated that UC will provide a representative on the Fund's Advisory Board to assist the Fund in executing its strategy and to protect UC's investment in Cintrifuse Fund I.

Funding Options

We have identified several options for the University of Cincinnati to finance a commitment to Cintrifuse Fund I.

Fund A

UC's endowment Fund A could make a commitment to Cintrifuse Fund I in the normal way that Fund A commits to private equity funds every year. Fund A typically commits to three to five private equity funds each year. Commitments have ranged in the past year from $4 million to $9 million, which represents roughly 0.6% of Fund A to 1.3% of Fund A (that is, roughly 0.4% to 0.9% of the endowment). The procedure for Fund A committing to private equity funds is well-established.

- Pros
    - Well-established procedure and legal precedent
    - Commitment from a permanent pool of investment capital
    - Places no direct burden on UC's operating budget
    - If Cintrifuse generates satisfying investment returns, will help generate future distributions to the University
- Cons
    - UCF investment committee members and board members have expressed objections to committing Fund A capital to further illiquid strategic community investments
    - If Cintrifuse generates unsatisfying investment returns, will further burden the non-strategic investments in Fund A with a higher effective spending policy and reduce future distributions to the University

Endowment Outside of Fund A

UC's endowment has historically funded strategic investments outside of Fund A. For example, in 2005, UCHealth redeemed $5.8 million of unrestricted endowments in Fund A units and used the proceeds to create a separately-invested endowment that financed a loan to Stetson Village (aka "BGCURC").

Today, Fund A includes unrestricted endowments of between $2 million and $6 million (please refer to the table in *Appendix V: Unrestricted Endowments*), which could be redeemed from Fund A and redeployed in separately-invested endowments that fully or partially finance a commitment to Cintrifuse Fund I.

Unrestricted endowment capital could potentially be augmented by excess operating receipts (that is, capital left over from prior year budgets that exists because University operations were under-budget). In fiscal 2012, operations came in $XXX million under-budget, potentially providing an opportunity to partially or fully fund a commitment to Cintrifuse Fund I.

University Rule 3361:20-41-01(B) "Strategic community investments" states that endowment funds may be invested outside Fund A with approval of the President and Chair of the Finance and Administration Committee. A cap of $25 million is placed on investments under this rule; currently the $13 million loan to BGCURC comprises the endowment's only investment under this rule. Therefore, the endowment has $12 million of remaining capacity under rule 3361:20-41-01(B).

OGC has espoused a legal opinion that operating receipts may be invested in private equity fund interests provided it is an investment of funds held in trust by the Board of Trustees and not an investment of state funds (please refer to *Appendix VI: OGC Memo Regarding Investments Held in Trust by the Board of Trustees*).

- Pros
  - Avoids using UCF capital to finance a Cintrifuse commitment
  - Commitment from a permanent pool of investment capital
  - Places no direct burden on UC's operating budget
  - If Cintrifuse generates satisfying investment returns, will help fund future distributions to the University
- Cons
  - Removes approximately $2 million to $3 million per years from the University's operating capital, potentially reducing the University's future ability to control tuition costs.
  - Some unrestricted endowments have previously been judged unavailable for NDC Loan investments and may require sign-off from UCF and/or Hoxworth.
  - No court has ruled on a case that confirms OGC's position regarding investments held in trust by the Board of Trustees
  - If Cintrifuse generates unsatisfying investment returns, will further burden the non-strategic investments in Fund A with a higher effective spending policy and reduce future distributions to the University

<u>Temporary Investment Pool</u>
UC's Temporary Investment Pool ("TIP") is currently $468 million (as of May 31, 2012), which represents approximately 90 days of working capital. Currently, the TIP Investment Guidelines present two sets of issues. First, illiquid investments inside TIP are forbidden (please refer to "Liquidity Requirements" in *Appendix VII: TIP Investment Guidelines*). Second, Cintrifuse would not be eligible for Tiers I or II and would currently be the only investment in Tier III; TIP Investment Guidelines also require a minimum average portfolio quality of A- and a maximum allocation to unrated securities of 10% (please refer to "Credit Quality Standards" in *Appendix VI*). This leaves a few options:

- Capital could be moved from TIP to create a separately-managed endowment that could fund a commitment to Cintrifuse Fund I (please refer to "Endowment Outside of Fund A" above).
- TIP Investment Guidelines could be altered to allow illiquid investments in Tier III and other assets could be moved into Tier III so Tier III would maintain its Credit Quality Standards after the Cintrifuse investment were made.

Appendix I: Cintrifuse Fund I Structure

- Fund structure:
  - Fund Manager:
    - A yet-to-be-hired person whose responsibility it will be to source, perform due diligence on, and make recommendations to the Investment Committee regarding investments in venture capital funds and potentially direct investments in local companies
    - Please see attachment *Sample Fund Manager Responsibilities* for more information
  - Investment Committee:
    - The Investment Committee will primarily consist of independent members with significant investment experience.
    - Investment Committee members will be appointed by the Advisory Board.
    - The CEO of the Hub will also be a member.
    - The Investment Committee will have discretion over Fund I investments; the Investment Committee will review and vote on investment recommendations from the fund manager.
    - The Investment Committee will focus on maximizing investment return.
  - Advisory Board:
    - Each limited partner with $5 million or more in capital commitments will have the right to appoint one Advisory Board member.
    - The Advisory Board will provide advice to the fund manager and the Investment Committee on the overall scope of Fund investments (i.e., how many funds to invest in and of what general types), conflicts of interest and valuation methodology.
    - The Advisory Board will also determine what constitutes an adequate "Regional Cincinnati Plan" for each prospective underlying fund investment.
  - Management Fee:
    - 1.25% of capital commitments for limited partners with capital commitments under $10 million; 0.75% for limited partners with capital commitments of $10 million or more.
    - After the commitment period, the fee will scale down over time and will only be charged against capital contributions.
    - Excess management fees may be used to finance the Hub
  - Carried Interest:
    - 5% of profits, to be paid only after all capital commitments are returned plus an 8% preferred return (with a general partner catch-up).
    - Some portion of carried interest may be used to finance the Hub
  - Direct Investments:
    - Direct investments will only be permitted in extraordinary circumstances, as part of a follow-on round of investment for a portfolio company of an underlying fund.
    - Direct investments will not exceed 5% of overall Fund capital commitments.
  - Conflicts Policy:
    - A conflicts of interest policy will be adopted that governs personal investment/involvement in any company or fund that is invested in or supported by the Hub or the Cintrifuse Fund.
    - Policy covers members of the Hub board, staff, Investment Committee and Advisory Board.
- Fund Size: $100 million goal ($45 million - $50 million Initial commitments)
  - P&G: $25 million
  - Western & Southern: $5 million
  - Macy's: $5 million
  - Duke Energy: $5 million
  - Children's Hospital: $5 million (up to $10 million if $100 million or more is raised for the fund overall)
- Model:
  - The Fund is being modeled after a Michigan-based venture capital fund of funds called "Renaissance Venture Capital Fund", which is projecting
    - Financial success (satisfying risk-adjusted returns) and
    - Strategic success (significant job creation, and attraction of significant investment capital to Michigan)
    - Please see *Appendix VIII: Renaissance Michigan VCFoF* for more information

Appendix II: Agenda 360/Vision 2015 Regional Indicators Project

From the website: “Vision 2015 and Agenda 360, Greater Cincinnati and Northern Kentucky's strategic community plans to transform our region, released a report in September 2010 that reveals challenges for every part of our metropolitan area. This analysis is a broad-based, fact-driven comparison of our community against eleven other areas with which we compete for companies, jobs and residents. The report provides reliable information for all community leaders in Greater Cincinnati and Northern Kentucky that will allow us to make better policy decisions and chart regional progress over time. Working together we can become a leading region for talent, jobs and economic opportunity.”

Venture Capital. **We need more focused commitment and funding for local start-ups.** Venture capital helps bring new ideas and new investment into the region, which directly and indirectly impacts the other key Jobs indicators. We don’t fare well when compared with our peers. Since start-ups are the key driver of future job creation, it’s imperative that we turn this around.

JOBS INDICATOR: VENTURE CAPITAL

The amount of capital invested in local start-up firms and small businesses that involve an investment risk but offer high growth and profit potential. Because of the year-to-year volatility, this indicator is a three-year rolling average of venture capital invested.

	2006-2008 (millions)	2007-2009 (millions)
1 Cleveland	$2,490	$2,503
2 Pittsburgh	$856	$817
Peer Region Avg.	**$609**	**$559**
9 Cincinnati	**$68**	**$115**
11 Charlotte	$100	$41
12 Columbus	$30	$22

http://www.agenda360.org/uploadedFiles/Agenda360/GetInvolved/2010RegionalIndicators.pdf

Appendix III: Key McKinsey Report Observations

Gaps – a review

Idea generation and commercialization	▪ Research institution commercialization is still nascent ▪ Corporate idea sharing – both through people and IP – is not systematic
People and entrepreneurial environment	▪ Many support organizations are fragmented and operate sub-scale ▪ No physical place exists that is known to be center of entrepreneurship ▪ Top startup C-level and technical talent is difficult to find in and attract to Cincinnati
Financial capital	▪ Region is not doing enough to attract its pro rata share of public and philanthropic funding ▪ Access to early-stage venture capital is limited

Summary

- UC lags peer universities on key commercialization metrics, but has significant potential with current research funding and capabilities of the faculty and staff
- Realizing this potential will require leadership, resources and a long-term commitment to cultural change
- This should start with developing a transformational roadmap for the university

What is the role of UC in Accelerating the Development of an Innovation Economy in Cincinnati?

The University of Cincinnati is uniquely positioned to serve as the key driver in the acceleration of an innovation economy in Greater Cincinnati. Through scholarship, service, partnerships, and leadership, UC creates opportunities, develops educated and engaged citizens, enhances the economy, and enriches the city, state, and global community.

- UC is a top 25 public research university in the United States with more than 42,000 students, many of whom are involved in cooperative education and industry sponsored internships.
- The University of Cincinnati represents one of the largest repositories of intellectual property (IP) in the region as a result of its ranking as a "very high research activity" university by the Carnegie Commission. Through its research enterprise UC and its affiliates brought in $418M in research funding in 2011, which feeds UC's IP generating pipeline.
- UC IP is readily available for commercialization for the benefit of economic growth and development without the restrictions of proprietary industry-based IP. UC has a rich intellectual property (IP) pool upon which community economic growth can advance. For 2012, that pool is on track for 100+ Invention Disclosures and 20+ new patents received.
- UC also represents the single best opportunity in the region to support workforce development across a wide range of fields for regional economic growth and development.
- UC works in harmony with the other major public research universities in Ohio including OSU, OU, Case-Western and UD, and will soon be connected to all of these research partners by the fastest network in the nation.

Most importantly for economic growth in Cincinnati and the immediate surrounding areas, UC promotes entrepreneurship and commercialization in many ways including:

- Active partnerships with external sources such as CincyTech, TechSolve, Hamilton County Business Center, and EMTEC to help UC advance technologies along the commercialization pathway.
- Industry partnerships with local companies including Proctor and Gamble, Ethicon Endosurgery and General Electric Aviation.
- This year will mark the opening of the University of Cincinnati Research Institute (UCRI) to enhance industry sponsored partnerships in the region
- This year also marks the opening of the UC Accelerator for Commercialization which will promote commercialization of a wide range of university IP to promote local economic growth.
- Formation of regional alliances, such as the Ohio Valley Affiliates for Life Sciences to open up new opportunities and attract new resources to the local area.
- Development of entrepreneurial educational opportunities for faculty, staff, students, and the community to better create a local entrepreneurial ecosystem to enhance economic growth.
- University incentives and awards for entrepreneurial achievement.

In what specific areas are UC and its affiliates best positioned to make major contributions toward economic development?

- Health Care:
  - UC's College of Medicine and Academic Health Center, and its partnerships with UC Health, Cincinnati Children's Hospital Medical Center and the VA Medical Center represent a major area of strength and a powerful focal point for economic development for the greater Cincinnati region.
  - In addition, the research expertise within the College of Engineering and Applied Science (CEAS), DAAP, and the science disciplines in the College of Arts and Sciences provides a basis for a consortium at the interface of medical and natural sciences – a major area of growth in healthcare which cannot be duplicated in the private sector.
  - Our Medical Product Design program and the Live-Well Collaborative have received national recognition and numerous awards as multidisciplinary programs involving CEAS, the Colleges of Medicine and Business, and DAAP, which could form a major resource for a growing medical product industry in the Cincinnati region.
- Systems dynamics and manufacturing efficiency through CEAS
- Aerospace industry development with respect to:
  - Advanced Low-Emissions Combustion (LEC)
  - High Temperature Ceramic Matrix Composites (CMC's)
  - Aircraft Energy & Thermal Management (ETM)
- Clean water technologies through the Colleges of Arts and Sciences, CEAS, and Medicine in collaboration with *Confluence*, formerly the Water Technology and Innovation Cluster (WTIC) and EPA.

How will support from the CBC Venture Capital Fund enable UC to fulfill its potential to build a pipeline for support of local economic development?

The University of Cincinnati's intellectual property encompasses all aspects of the IP pipeline of product development from "idea to late-stage development" leading to the transformation of that IP into commercialization. That pipeline begins with ideas born within its basic science laboratories that must then undergo a transition of early and late stage development before being further transformed for commercialization.

While federal and industry-research funding sources are readily available to support basic research, they are less willing to support product development in that critical transition stage leading up to commercialization. At the other end of the pipeline, industry and venture capital sources of funding are unwilling to support that transition stage especially early in the process due to the perceived inherent high risk for success. This then leads to a gap in funding which hampers or slows the entire pipeline of "idea to late-stage development", which eventually has a negative impact for local economic development. The question for UC is how best to complete the pipeline and how best to ensure a more continuous flow within that pipeline into the future?

UC is best positioned to provide the continuous pipeline for economic development. Indeed, it is not an overstatement to suggest that the largest local pipeline starts at UC and that without that start local economic growth will be marginal.

Two major shortcomings within any university system to commercialize its IP are:

- A lack of an adequate support system to identify, promote and support the commercialization of IP, and
- A lack of ***seed funding*** to support IP development during that critical translational phase of the pipeline leading to eventual commercialization which could fuel economic growth in Cincinnati. An example of steps universities are taking to provide seed funds and invest in their own IP, is the recent USO and OU collaboration to provide $35M in seed funding to support the development of IP within their universities for commercialization. The University of Michigan also recently set aside $25M of their endowment over 5 years to support commercialization of university-based IP.

How can UC's potential be realized with support from the CBC Venture Capital Task force?
A partnership with the CBC Taskforce Initiative could support UC in three ways:

1. Enhancing UC's entrepreneurial ecosystem to support commercialization:
   a. *UC's Technology Commercialization Accelerator*
      - This UC hub for commercialization activity is part of the Midwest EB5[2] Regional Center and is actively involved in the Short Vine Urban Renewal Project.
      - This accelerator could be adopted by the Venture Capital Task Force to provide transition and early development funds to support the creation of start-up companies and to hire appropriate management personnel for them.
      - This Accelerator could form the infrastructure for a satellite-node focusing on Healthcare in close proximity to: (1) The UC Academic Health Center which includes the Colleges of Medicine, Nursing, Pharmacy, and Allied Health; (2) UC's West campus including CEAS, A&S and DAAP; (3) Cincinnati Children's Hospital Medical Center; (4) UC-Health/University Hospital; and, (5) Veteran's Administration Medical Center.

   b. *University of Cincinnati Research Institute*
      - This newly created arm of the UC Office of Research is the primary way UC will partner with industry in the future.
      - It provides generous intellectual property opportunities for industries in exchange for funds to support the Institute.
      - The initial partnership in the UCRI is with GE Aviation. GE has committed $45 million and the Third Frontier has awarded $5 million to UC through the UC College of Engineering and Applied Science.
      - It could also be used to help fledgling industries relocate to Cincinnati in order to take advantage of the opportunity to use the university to support their translational research needs while maintaining control of their own intellectual property.
2. **Providing seed funding to support commercialization of UC's intellectual property**
      - In keeping with the successful trend in other major institutions, UC must attract adequate seed funds to support the translational phase of its IP pipeline development.
      - The CBC Venture Capital Task Force could provide the pre-seed and seed funding to develop the pipeline that moves work in our research laboratories to the Accelerator and on its way to the birth of start-up companies.

[2] Investment-based Immigration Program for fully vetted foreign investors that allows them to petition for Permanent Residency.

- Reinvestment of UC's $10M contribution to the Fund to support the development of UC IP is the best way to attract additional venture capital to our campus and thereby to Cincinnati.

3. Supporting workforce development through co-op opportunities within start-up industries
    - UC is the largest resource for workforce development in the Cincinnati region.
    - UC's cooperative education program provides the talent pipeline that is ideal for growing business. Currently the Co-op Program supports 1500 companies and is growing. As the founder of cooperative education in 1906, UC created a model that accelerated industrialization in the heart of the United States and has since been emulated by other universities. Last year, UC students made approximately $35M in salaries and had a significant impact on Ohio's economy.
    - UC has also created a certificate program in Entrepreneurship and Commercialization for undergraduate students which opened this year in order to train the next generation of entrepreneurs and innovators of the future. This program will soon to open to both faculty and graduate students as well.
    - The Fund could make an important contribution to the economic development of the region by providing co-op opportunities for UC students within the start-up industries supported through the CBC Venture Capital Task Force, which in turn would significantly enhance the industry as well.

Conclusion

The University of Cincinnati represents the single-most important reason for industry to come to this city, and is prepared to be the best partner the CBC Task Force will have in moving forward with its agenda. As the largest holder of the public trust in intellectual property in our city, UC will use the support it receives from the Fund to build, expand, and maintain the pipeline of discovery, investment, and commercialization. If we don't maintain this pipeline, start-up ventures in Cincinnati will be significantly reduced or disappear altogether.

Appendix V: Unrestricted Endowments

Fund Name	Fund Type	A Pool Fund Balance	Notes
Prather Fred R QI	Restricted True Endowment	641,030	designated for use in the discretion of the President
Prather Fred R QI	Unrestricted True Endow	1,130,222	
Baldwin Sigmas Sigma Commons	Unrestricted True Endow	631,957	Established as an institutional matching fund for a restricted endowment created from gifts by Sigma Sigma for the purpose of funding the long term maintenance of Sigma Sigma commons. When the original gift document was researched, there were concerns over certain language in the gift that appeared to restrict the nature of investments into which the gift or the match could be invested. The more speculative loans to BGCURC did not and this fund, too, was struck from the list of potential funding candidates
Hoxworth Quasi-Endowment	Unrestricted Quasi Endow	4,432,328	1. Owned by Hoxworth and may need their approval to liquidate 2. Liquidation of any quasi-endowment might need approval from the Board of Trustees 3. Constitute most of Hoxworth's available funds
Ocas Designated	Unrestricted Quasi Endow	348,950	1. Owned by colleges and may need their approval to liquidate 2. Liquidation of any quasi-endowment might need approval from the Board of Trustees
NEH Classics Grant QI	Unrestricted Quasi Endow	62,128	1. Owned by colleges and may need their approval to liquidate 2. Liquidation of any quasi-endowment might need approval from the Board of Trustees
Public Subscription	UCF Unrestricted True Endow	467,694	Would require discussion with UCF prior to liquidation
Joseph Arthur	UCF Unrestricted True Endow	71,094	Would require discussion with UCF prior to liquidation
General University	UCF Unrestricted True Endow	40,033	Would require discussion with UCF prior to liquidation
Total		7,825,436	

UNIVERSITY OF CINCINNATI

TEMPORARY INVESTMENT POOL
INVESTMENT GUIDELINES

As adopted February 3, 2012

PURPOSE

The purpose of these Investment Guidelines is to establish the objectives, constraints, unique circumstances, and overall policies that govern all investment-related activities of the University of Cincinnati's Temporary Investment Pool ("TIP").

SCOPE

These Investment Guidelines apply only to the TIP, which consists of the University's short-term funds. The University's Fund "A" Endowment, which consists of longer term investments, is covered by a separate Investment Guideline.

OBJECTIVES

The objectives of TIP are to invest operating funds and borrowed proceeds to provide, in order of priority, (1) safety of principal, (2) liquidity, and (3) maximum total return consistent with safety and liquidity.

In meeting these objectives, the Investment Committee, Chief Investment Officer and Treasurer (and all those acting under their direction), all external investment managers, and the custodian/master record keeper shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

DEFINITION OF DUTIES

Board of Trustees

The University's Board of Trustees has the ultimate fiduciary responsibility for TIP. Under section 3345.05 of the Ohio Revised Code, the Board is required to adopt in public session an investment policy and establish an Investment Committee to assist it in meeting its obligations as a fiduciary.

Investment Committee

The Investment Committee ("IC") is responsible for overseeing the management of TIP assets according to University Rule 20-41-03. The IC shall oversee the management of TIP in accordance with the provisions of section 3345.05 of the Ohio Revised Code, policies stated in rule 3361:20-41-01 of the Administrative Code, and such supplementary guidelines as may be approved by the Finance and Administration Committee of the

Board of Trustees. Its focus is investment policy and guidelines, risk control, compliance, and oversight of the strategic direction, investment activities and performance of the Chief Investment Officer and the Treasurer.

The IC shall approve minimum balance requirements for TIP's three liquidity tiers (described below). Such asset allocation requirements between the tiers will be based upon recommendations by the Treasurer.

The IC shall carry out its duties in accordance with the CFA Institute's Investment Management Code for Endowments, Foundations, and Charitable Organizations. Upon appointment to the IC, and throughout the period of such appointment, any member who has a relationship with an investment manager, or any other provider of significant services retained by the IC, the Chief Investment Officer or the Treasurer, or under consideration for retention, will promptly disclose such relationship to the chairperson of the IC. The Chief Investment Officer and the Treasurer shall annually provide to members the names of investment managers and other providers of significant services retained or under consideration.

Treasurer

The term "Treasurer" refers to both the Treasurer and all those individuals in the Office of the Treasurer acting under the direction of or authorized by the Treasurer. The Treasurer is responsible for managing that portion of the TIP needed to satisfy the day-to-day and other financial obligations of the University ("Tier I") with the guidance, advice and oversight of the Investment Committee regarding policy and strategic direction. The Treasurer is authorized to buy and sell money market securities and funds as needed to invest that portion of the TIP needed to satisfy the financial obligations of the University. The Treasurer is responsible for entering into and managing custodial arrangements for the safekeeping of assets with the advice and consent of the Controller and Chief Investment Officer. The Treasurer is responsible for recommending minimum target balances for each of TIP's three liquidity tiers and rebalancing among those liquidity tiers. The Office of the Treasurer is also responsible for TIP's investment operations, reporting, and compliance. However, the Chief Investment Office will monitor Tier I compliance.

The Office of the Treasurer shall carry out its duties in accordance with the Association for Financial Professional's Standards for Ethical Conduct or the CIPM Association's Code of Ethics and Standards of Professional Conduct, as applicable. The Treasurer shall promptly disclose to the chairperson of the IC any relationship he or she has with an investment manager or any provider of services retained or under consideration by the IC or the Chief Investment Officer.

Chief Investment Officer

The term "Chief Investment Officer" refers to both the Chief Investment Officer and all those individuals in the Office of the Chief Investment Officer acting under the direction of or authorized by the Chief Investment Officer. The Chief Investment Officer is responsible for managing that portion of the TIP beyond what is needed to satisfy the day-to-day and other financial obligations of the University ("Tiers II and III" described below) according to University Rule 20-41-03 and the UC Investment Guidelines, with the guidance, advice and oversight of the IC. Underlying investments of the TIP will generally be held in accounts managed by external investment managers. The Chief Investment Officer is authorized to retain external investment managers to manage TIP assets with the advice and consent of the Treasurer. The Chief Investment Office will also monitor Tier I compliance.

The Office of the Chief Investment Officer shall carry out its duties in accordance with the CFA Code of

Ethics and Standards of Professional Conduct. The Chief Investment Officer shall promptly disclose to the chairperson of the IC any relationship he or she has with an investment manager or any provider of services retained or under consideration by the IC or the Chief Investment Officer.

Internal Audit

The Office of Internal Audit will review compliance of all three liquidity tiers at least annually.

External Investment Managers

The Chief Investment Officer may grant external investment managers full investment discretion with regard to security selection and portfolio construction, consistent with these Investment Guidelines. The Chief Investment Officer shall review the activities and organizations of each external investment manager at least quarterly and each external investment manager shall be required to meet with the Chief Investment Officer and Treasurer at least annually.

Custodian/Master Record Keeper

The Custodian/Master Record Keeper shall be appointed by the Treasurer (with the consent of the Chief Investment Officer and Controller) and shall provide functions including, but not limited to, security safekeeping, collection of income, settlement of trades, maintenance of collateral levels, collection of proceeds of maturing securities, and distribution of income. The Custodian/Master Record Keeper shall provide account statements and TIP investment performance on a monthly basis.

OPERATING CASH POLICY

The University's operating cash balances are largely synchronized with the tuition payment cycle, with the lowest cash balances typically occurring before the start of a term. The University's Operating Cash Policy 2-1-16 will be used to help determine the overall level of TIP that will assure adequate levels of liquidity for operating and capital expenditures and to meet financial obligations.

ASSET ALLOCATION

The investment structure is divided into three liquidity tiers to provide for maximum total return consistent with safety and liquidity while meeting the daily liquidity requirements of the University. The purpose, minimum target balances, duration ranges, and benchmarks for each of the three liquidity tiers are presented in the table below. The minimum target balance requirements will be reviewed and adjusted periodically. The Target Minimum Balances noted in the table for Tier I, Tier II, and Tier III are based upon the TIP market value as of December 31, 2011 and are meant only to approximate the expected minimum balances in each tier. Should the University experience a significant change in TIP balances, the Treasurer may find it necessary to deviate from these target balances.

	Tier I	Tier II	Tier III
Purpose	Supply sufficient day-to-day	Provide for a sufficient level of	Funds that will either not be needed until

	operating liquidity.	reserves for anticipated and unanticipated liquidity needs yet provide for a level of incremental return over Tier I.	sometime in the future, or that are residual cash which may never leave the fund except in an emergency.
Minimum Target Balances	$30 million	$100 million	N/A
Maturity Range for Securities at Purchase	0-9 months	0-72 months	0-120 months
Duration Range for Tier Portfolio	≤ 5 months	≤ 24 months	2-3 years
Benchmark	30-day Treasury Bill	50% Merrill Lynch Treasury Bill Index and 50% Barclays Capital U.S. 1-5 Year Government/Credit Bond Index	Barclays Capital U.S. 1-5 Year Government/Credit Bond Index

INVESTMENT STRATEGY

Permitted Investments

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuous adequate guidance for achieving investment objectives. Any such list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be made. Therefore, it is the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, which determines whether an appropriate standard of reasonableness, care, and prudence has been met for these investments. TIP investments will consist of cash equivalents and fixed income securities of high grade and upper medium grade credit quality and low duration. Appendix I offers examples of such securities.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the University. Although the University cannot dictate policy to pooled/mutual fund investment managers, the University's intent is to select and retain only pooled/mutual funds with policies that are similar to these Investment Guidelines. All managers (pooled/mutual, separate), however, are expected to achieve the performance objectives.

Diversification Requirements

The following requirements apply to each liquidity tier:

All investments shall be denominated in U.S. dollars.

Pursuant to Section 3345.05(C)(1) of the Ohio Revised Code, at least 25% of the average amount of the TIP over the course of the previous fiscal year shall be invested as a reserve in:

- securities of the United States government or of its agencies or instrumentalities,
- the treasurer of the State of Ohio's pooled investment program,
- obligations of the State of Ohio, or any political subdivision of this state,
- certificates of deposit of any national bank located in this state,
- written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank,
- money market funds, or
- bankers' acceptances maturing in 270 days or less which are eligible for purchase by the Federal Reserve System.

By Asset Type and Issuer	Restriction Relative to Market Value
Individual Corporate Issue	≤ 5%
Corporate Issuer and Counterparty Exposure (e.g., Banker's Acceptance)	≤ 10%
Bankers' Acceptances	≤ 15%
Collateralized Mortgage Obligations	≤ 10%
Non-U.S. securities	≤ 20%

Duration Targets

Tier	Duration
Tier I	≤ 5 months
Tier II	≤ 24 months
Tier III	2-3 years

Credit Quality Standards

The following requirements apply to each liquidity tier:

TIP shall be invested in securities rated high grade and upper medium grade by at least one Nationally Recognized Statistical Rating Organization (NRSRO) with the following qualifications. In case of a split rating the lowest rating shall apply. If an issuer's credit rating is downgraded below the allowable targets, upon discovery the manager shall communicate to the Treasurer or Chief Investment Officer (as appropriate) and recommend a course of action.

By Asset Type and Issuer	Restriction		
Minimum Average Portfolio Quality	Tier I: 90% in A-1/P-1	Tier II: A-	Tier III : A-
Minimum Issue Quality*	BBB-		
Minimum Commercial Paper Quality*	Split A1/P2, A2/P1		
U.S. Money Market Mutual funds	Meets 2(a)7 requirements, with asset size among the		

	100 largest according to *Morningstar Analyst Report* having a four-star or five-star rating and are in the top rating by an NRSRO
Repurchase Agreements	Fully collateralized at 102% by U.S. Government and/or Agency securities.
Minimum Counter Party Quality*	A
Securities rated Baa1 or BBB+ or lower*	≤ 10% of total market value
Single security rated below BBB+*	≤ 1%
Unrated securities*	≤ 10%
*at time of purchase	

Liquidity Requirements

By Asset Type and Issuer	Restriction at Time of Purchase	
Illiquid securities (those securities which cannot be easily sold or disposed of in the ordinary course of business within one month at approximately the value at which the fund has valued the instrument or would be difficult to sell without taking a large loss.	Tier I = 0%	Tiers II & III = 0%

Other Requirements

Leverage and securities lending are not permitted.

Financial derivative instruments (e.g., futures, options, and swaps) will be used only in Tiers II and III and in a conservative fashion and only in conjunction with implementing the investment strategy consistent within these Guidelines. Derivatives may not be used to leverage the portfolio.

EVALUATION OF EXTERNAL MANAGERS

External investment managers shall be monitored and evaluated on five criteria:

- Investment Thesis
- Processes
- Resources
- Alignment of Interests
- Past performance

The "investment thesis" is the basis for the manager's belief that excess returns can be generated. The investment thesis should be intuitive, theoretically sound, and empirically supported. "Processes" are the methods by which the manager generates value-added investment ideas, translates those ideas into portfolio weights, and implements the positions in the market. "Resources" are the inputs to the processes. If the manager has a cogent investment thesis, adequate (if not superior) processes to put the thesis into practice, and adequate (if not superior) resources to implement the process, then there is an expectation that the manager can generate competitive returns. The fourth criterion – Alignment of interest - examines how these results

might be shared with the client. Alignment of interest is an overarching concept that affects the investment thesis, processes, and resources as well as the final results. If positive investment results are earned, then the alignment of interests will ensure that these results are shared with the client. Investment managers have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. They must act for the benefit of their clients and must place their clients' interests before their employer's or their own interests. Moreover, managers must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities

The first four areas are forward-looking and generally have qualitative measures. It is in evaluating and monitoring these hard-to-measure criteria that the Investment Office can add the most value. In public markets, past returns are poor predictors of future performance. The Investment Office can add value in the way it analyzes this quantitative data and combines it with qualitative information in a creative, disciplined, thoughtful, and pragmatic way.

The Investment Office will measure and monitor performance over short periods, but evaluate managers over longer periods. Individual managers should be evaluated over horizons that align with their strategies: shorter periods for risk-controlled strategies and longer periods for bigger bet strategies. Managers will typically be evaluated over a three to five year period.

REVIEW

These guidelines shall be reviewed by the IC annually and modified as necessary or appropriate. Investment performance shall be reviewed on a quarterly basis and the report will be provided by Custodian/Master Record Keeper. The manager may provide any suggestions regarding appropriate adjustments to this statement or the manner in which investment performance is reviewed.

ACKNOWLEDGEMENT

________________________________ _______________

Acknowledged on behalf of the University of Cincinnati TIP — Date

________________________________ _______________

Acknowledged on behalf of Investment Manager — Date

[TIP Guidelines Appendix and Glossary excluded]

Appendix VIII: Renaissance Michigan VCFoF

CONFIDENTIAL

Renaissance Venture Capital Fund

Cincinnati Meetings
June 7, 2012

RENAISSANCE Venture Capital Fund

RVCF Long Term Michigan Impact Projections

	Assumed Size of Fund	Leveraged Michigan VC Investment	Michigan Jobs To Be Created
RVCF I	$44,555,556	$390,000,000	10,233
RVCF II	$70,000,000	$630,000,000	18,421
Total	$114,555,666	$1,020,000,000	28,654

Note: As of December 31, 2011, RVCF is ahead of projections on leveraged Michigan investment and Michigan jobs created.

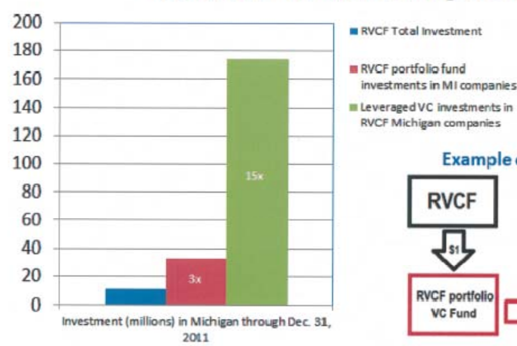
RENAISSANCE Venture Capital Fund

RVCF Results as of 12/31/11

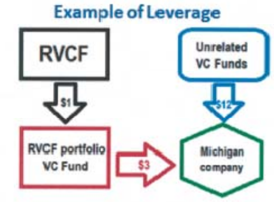
- Financial Performance –
  - Capital being called at approximately 10-13% per year. $14 million (of $44.5 million capital commitments) called as of 12/31/11.
  - Portfolio value up 15% (most investments held at cost because they are new)
  - RVCF has distributed back to investors $2.4 million in profits.
  - 4 company exits and 3 write-offs collectively yielded 270% of cost.
- Regional Impact to Date has exceeded targets:
  - RVCF has invested $11.3 million in 10 venture capital funds (4 Michigan-based, 2 non-Michigan based but with Michigan office, 4 completely non-Michigan).
  - Those 10 venture capital funds have, in turn, invested $33 million into 15 Michigan companies.
  - Those 15 Michigan companies have, in turn, raised $174 million in venture capital from around the nation.
- 226 Michigan jobs created to date, average compensation $69,000.

RENAISSANCE Venture Capital Fund

RVCF investment has been leveraged into 15x venture capital investment in Michigan companies



Example of Leverage



4 CONFIDENTIAL RENAISSANCE Venture Capital Fund

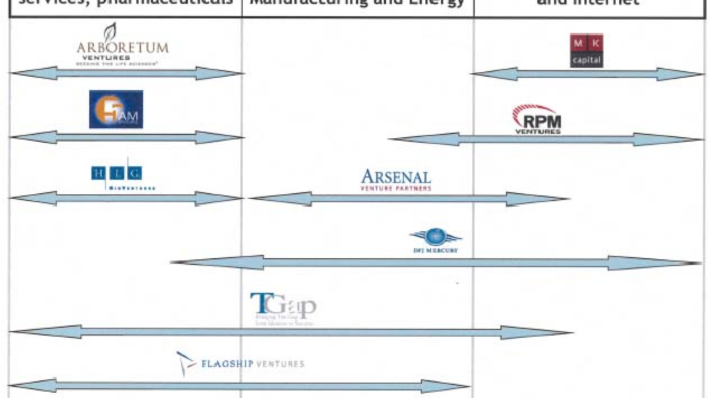
Michigan Companies within portfolio

accuri CYTOMETERS
HISTOSONICS
ArborMetrix
HandyLab
OUTDOORHUB
Swift BIOSCIENCES
ARBOR PHOTONICS
Accord Biosciences
Life Magnetics
kabongo
ambiq micro
Mobius Microsystems
DELPHINUS MEDICAL TECHNOLOGIES
DeepField NETWORKS
Tangent Medical

5 RENAISSANCE Venture Capital Fund

RVCF Portfolio Funds and Investment Sectors

Medical devices and services; pharmaceuticals	Advanced Materials, Manufacturing and Energy	Information Technology and Internet



6 RENAISSANCE Venture Capital Fund